

VILLAGE OF BARRINGTON, ILLINOIS

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VILLAGE OF BARRINGTON, ILLINOIS

Notes to the Financial Statements
December 31, 2003

NOTE 1 – Summary of Significant Accounting Policies

The Village of Barrington, Illinois, incorporated in 1865, is a municipal corporation governed by an elected president and six-member Board of Trustees. The Village's major operations include police and fire safety, highway and street maintenance and reconstruction, forestry, building code enforcement, public improvements, economic development, planning and zoning, waterworks and sewerage services, parking system services, refuse and recycling services and general administrative services.

The government-wide financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB Pronouncements. Although the Village has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Village has chosen not to do so. The more significant of the Village's accounting policies established in GAAP and used by the Village are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. For the first time the financial statements include:

A Management Discussion and Analysis (MD&A) section providing an analysis of the Village's overall financial position and results of operation.

Financial statements prepared using full accrual accounting for all of the Village's activities, including infrastructure (roads, bridges, etc.)

A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The Village has elected to implement the provisions of Statement No. 34 in the current year including the retroactive infrastructure provisions.

VILLAGE OF BARRINGTON, ILLINOIS

Notes to the Financial Statements
December 31, 2003

NOTE 1 – Summary of Significant Accounting Policies (Continued)

A. Reporting Entity

The Village's financial reporting entity comprises the following:

Primary Government:	Village of Barrington
Blended Component Units:	Police Pension Employees Retirement System Firefighters' Pension Employees Retirement System

In determining the financial reporting entity, the Village complies with the provisions of GASB Statement No. 14, "The Financial Reporting Entity," and includes all component units that have a significant operational or financial relationship with the Village.

Blended Component Units - Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the Village Board or the Component unit provides services entirely to the Village. These component units' funds are blended into those of the Village's by appropriate activity type to compose the primary government presentation.

Blended Component Units

Police Pension Employees Retirement System

The Village's sworn police employees participate in the Police Pension Employees Retirement System (PPERS). PPERS functions for the benefit of these employees and is governed by a five-member pension board. Two members appointed by the Village's President, with the advice and consent of the Board of Trustees, one elected pension beneficiary and two elected police employees constitute the pension board. The participants are required to contribute a percentage of salary as established by state statute and the Village is obligated to fund all remaining PPERS costs based upon actuarial valuations. The State of Illinois is authorized to establish benefit levels and the Village is authorized to approve the actuarial assumptions used in the determination of contribution levels. Although it is legally separate from the Village, the PPERS is reported as if it were part of the primary government because its sole purpose is to provide retirement benefits for the Village's police employees. The PPERS is reported as a pension trust fund.

VILLAGE OF BARRINGTON, ILLINOIS

Notes to the Financial Statements
December 31, 2003

NOTE 1 - Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Blended Component Units (Continued)

Firefighters' Pension Employees Retirement System

The Village's sworn firefighters participate in the Firefighters' Pension Employees Retirement System (FPERS). FPERS functions for the benefit of these employees and is governed by a nine-member pension board. The Village's President, Treasurer, Clerk, Attorney and Fire Chief, one elected pension beneficiary and three elected firefighters constitute the pension board. The participants are required to contribute a percentage of salary as established by state statute and the Village is obligated to fund all remaining FPERS costs based upon actuarial valuations. The State of Illinois is authorized to establish benefit levels and the Village is authorized to approve the actuarial assumptions used in the determination of contribution levels. Although it is legally separate from the Village, the FPERS is reported as if it were part of the primary government because its sole purpose is to provide retirement benefits for the Village's sworn firefighters. The FPERS is reported as a pension trust fund.

B. Basis of Presentation

Government-Wide Statements

The Village's basic financial statements include both government-wide (reporting the Village as a whole) and fund financial statements (reporting the Village's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Village's police and fire safety, highway and street maintenance and reconstruction, forestry, building code enforcement, public improvements, economic development, planning and zoning, and general administrative services are classified as governmental activities. The Village's waterworks and sewerage services, parking system and recycling services are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are: (a) presented on a consolidated basis by column, and (b) reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village's net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Village first utilizes restricted resources to finance qualifying activities.

VILLAGE OF BARRINGTON, ILLINOIS

Notes to the Financial Statements
December 31, 2003

NOTE 1 - Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

Government-Wide Statements (Continued)

The government-wide Statement of Activities reports both the gross and net cost of each of the Village's functions and business-type activities (general government, public safety, public works, building and planning, etc.) The functions are supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (general government, public safety, public works, building and planning, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.).

The Village does not allocate indirect costs. An administrative service fee is charged by the General Fund to the other operating funds that is eliminated like a reimbursement (reducing the revenue and expense in the General Fund) to recover the direct costs of General Fund services provided (finance, human resources, purchasing, legal, technology management, etc.).

This government-wide focus is more on the sustainability of the Village as an entity and the change in the Village's net assets resulting from the current year's activities.

Fund Financial Statements

The financial transactions of the Village are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Village electively added funds, as major funds, which either have debt outstanding or a specific community focus. The nonmajor funds are combined in a column in the fund financial statements.

VILLAGE OF BARRINGTON, ILLINOIS

Notes to the Financial Statements
December 31, 2003

NOTE 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

Fund Financial Statements (Continued)

A fund is considered major if it is the primary operating fund of the Village or meets the following criteria:

Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The various funds are reported by generic classification within the financial statements. The following fund types are used by the Village:

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Village:

General fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is a major fund.

Debt service funds are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt. The Debt Service Fund is treated as a major fund and records all of the Village's long-term debt activity.

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds). The Capital Improvements Fund is a major fund and accounts for revenues and expenditures relative to the construction of capital improvements. The Tax Increment Financing (TIF) Redevelopment Fund is a major fund and accounts for revenues and expenditures relative to the administration of the TIF District and redevelopment activities.

VILLAGE OF BARRINGTON, ILLINOIS

Notes to the Financial Statements
December 31, 2003

NOTE 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

Fund Financial Statements (Continued)

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Village:

Enterprise funds are required to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. The Village maintains two major enterprise funds. The Waterworks and Sewerage Fund accounts for the provision of water and sewer services to the residents and businesses of the Village. The Motor Vehicle Parking System Fund accounts for revenues and expenses related to public parking.

Internal service funds are used to account for the financing of goods or services provided by an activity to other departments, funds or component units of the Village on a cost-reimbursement basis. The Village maintains two internal service funds. The Information Services Fund accounts for the cost of services to maintain information systems equipment used by the Village departments, and for the accumulation of funds for the replacement of such equipment. The Central Garage Fund accounts for the cost of operating a maintenance facility for vehicular equipment used by other Village departments; a monthly charge to other funds is assessed which provides for the cost of mechanics, fuel, repair parts, replacement of vehicular equipment, and other expenses.

The Village's internal service funds are presented in the proprietary funds financial statements. Because the principal users of the internal services are the Village's governmental activities, the financial statements of the internal service funds are consolidated into the governmental column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity (general government, public safety, public works, building and planning, etc.).

VILLAGE OF BARRINGTON, ILLINOIS

Notes to the Financial Statements
December 31, 2003

NOTE 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

Fund Financial Statements (Continued)

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Village programs. The reporting focus is on net assets and changes in net assets and is reported using accounting principles similar to proprietary funds.

Pension Trust Funds are used to account for assets held in a trustee capacity for pension benefit payments. The Police Pension Fund accounts for the accumulation of resources to pay retirement and other related benefits for sworn members of the Village's police force. The Firefighters' Pension Fund accounts for the accumulation of resources to pay retirement and other related benefits for sworn members of the Village's Fire Department.

Agency Funds are used to account for assets held by the Village in a purely custodial capacity. The Village maintains two agency funds. The Special Assessment Fund accounts for the collection of assessments levied to retire special assessment bonds and other costs for which the Village has no obligation. The Escrow/Deposits Fund accounts for performance bonds and funds held on behalf of developers, individuals, and other entities.

The Village's fiduciary funds are presented in the fiduciary fund financial statements by type (pension trust and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the Village, these funds are not incorporated into the government-wide statements.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined below.

VILLAGE OF BARRINGTON, ILLINOIS

Notes to the Financial Statements
December 31, 2003

NOTE 1 – Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Measurement Focus (Continued)

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate.

All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

All proprietary and pension trust funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary and pension trust fund equity is classified as net assets.

Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. The Village recognizes property taxes when they become both measurable and available in accordance with GASB Codification Section P70. A sixty day availability period is used for revenue recognition for all other governmental fund revenues. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are recognized when due.

VILLAGE OF BARRINGTON, ILLINOIS

Notes to the Financial Statements
December 31, 2003

NOTE 1 – Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Basis of Accounting (Continued)

In applying the susceptible to accrual concept under the modified accrual basis, those revenues susceptible to accrual are property taxes, sales and use taxes, franchise taxes, licenses, interest revenue, and charges for services. All other revenues are not susceptible to accrual because generally they are not measurable until received in cash.

All proprietary funds, pension trust funds and agency funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Village's enterprise funds, and of the Village's internal service funds are charges to customers for sales and services. The Village also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities, and Net Assets or Equity

Cash and Investments

Cash and cash equivalents on the Statement of Net Assets are considered to be cash on hand, demand deposits, cash with fiscal agent. For the purpose of the proprietary funds "Statement of Cash Flows", cash and cash equivalents are considered to be cash on hand, demand deposits, cash with fiscal agent, and all highly liquid investments with an original maturity of three months or less.

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have any established market, if any, are reported at estimated fair value.

VILLAGE OF BARRINGTON, ILLINOIS

Notes to the Financial Statements
December 31, 2003

NOTE 1 – Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

Interfund Receivables, Payables and Activity

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Receivables

In the government-wide financial statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivables balances for governmental activities include property taxes, sales and use taxes, franchise taxes, and grants. Business-type activities report utility charges as their major receivables.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond the date of this report are recorded as prepaid items/expenses.

Restricted Assets

Certain enterprise fund resources required to be set aside for the repayment of alternate revenue source bonds and IEPA low interest loans are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Additional enterprise fund resources are required to be set aside for future capital replacement in accordance with grant restrictions.

Capital Assets

Capital assets purchased or acquired with an original cost of \$25,000 to \$50,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

VILLAGE OF BARRINGTON, ILLINOIS

Notes to the Financial Statements
December 31, 2003

NOTE 1 – Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

Capital Assets (Continued)

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. General capital assets are long-lived assets of the Village as a whole. Infrastructure such as streets, traffic signals and signs are capitalized. The valuation basis for general capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement costs.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets is the same as those used for the general capital assets. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation on all assets is computed and recorded using the straight-line method of depreciation over the following estimated useful lives:

Buildings	40 Years
Vehicles and Equipment	10 - 20 Years
Water and Sewerage Infrastructure	75 Years
Other Infrastructure	60 Years

GASB Statement No. 34 requires the Village to report and depreciate new infrastructure assets effective with the beginning of the current year. Infrastructure assets include roads, sidewalks, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are the largest asset class of the Village. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is subject to an extended implementation period; however, the Village has elected to implement all infrastructure reporting in the current year.

Compensated Absences

The Village accrues accumulated unpaid vacation and associated employee-related costs when earned (or estimated to be earned) by the employee. In accordance with GASB Statement No. 16, no liability is recorded for nonvesting accumulation rights to receive sick pay benefits.

VILLAGE OF BARRINGTON, ILLINOIS

Notes to the Financial Statements
December 31, 2003

NOTE 1 – Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

Compensated Absences (Continued)

The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

VILLAGE OF BARRINGTON, ILLINOIS

Notes to the Financial Statements
December 31, 2003

NOTE 1 – Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

Fund Equity

In the government-wide financial statements, equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets—Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislations.

Unrestricted net assets—All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 – Stewardship, Compliance and Accountability

A. Budgetary Information

Budgets are adopted on a basis consistent with generally accepted accounting principles. All departments of the Village submit requests for appropriation to the Village's budget officer so that a budget may be prepared. The budget is prepared by fund, function, and activity, and includes information on the past year, current year estimates, and requested funding for the next fiscal year.

The proposed budget is presented by the Village Manager to the governing body for review. The governing body holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget.

VILLAGE OF BARRINGTON, ILLINOIS

Notes to the Financial Statements
December 31, 2003

NOTE 2 – Stewardship, Compliance and Accountability (Continued)

A. Budgetary Information (Continued)

The budget officer is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the governing body.

Expenditures may not legally exceed budgeted appropriations at the fund level. During the year the corporate authorities considered and approved several supplementary appropriations.

B. Excess of Actual Expenditures/Expenses Over Budget in Individual Funds

No fund had an excess of actual expenditures/expenses, exclusive of depreciation, over budget for the fiscal period.

C. Deficit Fund Equity

The TIF Redevelopment Fund has deficit fund equity of \$3,975,844 as of the date of this report. This deficit balance was planned and appropriate future funding measures have been adopted.

NOTE 3 – Detail Notes on All Funds

A. Deposits and Investments

The Village maintains a cash and investment pool that is available for use by all funds, except the pension trust funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "cash and investments". In addition, investments are separately held by several of the Village's funds. The deposits and investments of the pension trust funds are held separately from those of other funds.

Permitted Deposits and Investments - Statutes authorize the Village to make deposits/invest in commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, obligations of States and their political subdivisions, credit union shares, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services, the Illinois Funds Investment Pool and the Illinois Metropolitan Investment Fund. Pension funds may also invest in certain non-U.S. obligations, mortgages, veteran's loans, and life insurance company contracts. Pension Funds meeting or exceeding certain asset levels may invest in money market mutual funds and/or common and preferred stock. The Illinois Funds Investment Pool and the Illinois Metropolitan Investment Fund are external investment pools regulated by state statutes, both pools value participant's shares on a fair value basis.

VILLAGE OF BARRINGTON, ILLINOIS

Notes to the Financial Statements
December 31, 2003

NOTE 3 – Detail Notes on All Funds (Continued)

A. Deposits and Investments (Continued)

Deposits

At year-end the carrying amount of the Village's deposits totaled \$17,253,394 and the bank balances totaled \$17,305,306.

	<u>Bank Balances</u>
Category 1	
Deposits covered by federal depository insurance, or by collateral held by the Village, or its agent, in the Village's name.	\$ 17,305,306
Category 2	
Deposits covered by collateral held by the pledging financial institution's trust department, or by its agent, in the Village's name.	-
Category 3	
Deposits covered by collateral held by the pledging financial institution, or its trust department, or its agent but not in the Village's name, and deposits which are uninsured and uncollateralized.	<u>-</u>
Total Deposits	<u><u>\$ 17,305,306</u></u>

For the pension trust funds the types of deposits authorized and the mix of credit risk categories do not differ significantly from the other funds of the Village.

VILLAGE OF BARRINGTON, ILLINOIS

Notes to the Financial Statements
December 31, 2003

NOTE 3 – Detail Notes on All Funds (Continued)

A. Deposits and Investments (Continued)

Investments

The Village's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Village or its agent in the Village's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Village's name. Category 3 includes uninsured, unregistered investments and uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Village's name.

	Fair Value			
	Category			
	1	2	3	Totals
U.S. Treasury Obligations	\$ 7,039,152	-	-	\$ 7,039,152
U.S. Agency Securities	2,725,266	-	-	2,725,266
Corporate Securities	3,656,622	-	-	3,656,622
	<u>\$ 13,421,040</u>	<u>-</u>	<u>-</u>	13,421,040
Non-categorizable				
Pooled Investment Accounts				9,856,045
Mutual Funds				543,465
Money Market				<u>274,498</u>
Total Investments				<u>\$ 24,095,048</u>

The pension trust funds own approximately 78 percent of the investments in Category 1.

VILLAGE OF BARRINGTON, ILLINOIS

Notes to the Financial Statements
December 31, 2003

NOTE 3 – Detail Notes on All Funds (Continued)

A. Deposits and Investments (Continued)

Reconciliation to Government-Wide Statement of Net Assets

Statement of Net Assets

Cash and Investments	\$ 23,247,349
Restricted Cash and Investments	<u>707,500</u>
	<u>\$ 23,954,849</u>

Deposits and Investments

Deposits at Carrying Amount	\$ 17,253,394
Investment at Fair Value	24,095,048
Fiduciary Funds	<u>(17,393,593)</u>
	<u>\$ 23,954,849</u>

B. Property Taxes

Property taxes for 2003 attach as an enforceable lien on January 1, 2003, on property values assessed as of the same date. Taxes are levied (by passage of a Tax Levy Ordinance) and filed with both Lake and Cook County by the fourth Tuesday of December. Tax bills are prepared by Cook County and issued on or about February 1, 2004 and August 1, 2004 and are payable in two installments, on or about March 1, 2004, and September 1, 2004. Tax bills are prepared by Lake County and issued on or about April 1, 2004 and are payable in two installments, on or about May 1, 2003 and September 1, 2004. The Counties collect such taxes and remit them periodically. The allowance for uncollectible taxes has been determined to be zero.

VILLAGE OF BARRINGTON, ILLINOIS

Notes to the Financial Statements
December 31, 2003

NOTE 3 – Detail Notes on All Funds (Continued)

C. Capital Assets

Governmental Activities

Governmental capital asset activity for the year was as follows:

	Beginning Balances (As Restated)	Increases	Decreases	Ending Balances
Capital Assets-Not Being Depreciated				
Land	<u>\$ 13,555,978</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,555,978</u>
Other Capital Assets				
Buildings	12,331,355	-	-	12,331,355
Vehicles and Equipment	1,623,166	80,002	-	1,703,168
Infrastructure	<u>19,096,126</u>	<u>-</u>	<u>-</u>	<u>19,096,126</u>
	<u>33,050,647</u>	<u>80,002</u>	<u>-</u>	<u>33,130,649</u>
Less Accumulated Depreciation				
Buildings	747,068	305,860	-	1,052,928
Vehicles and Equipment	947,092	91,009	-	1,038,101
Infrastructure	<u>4,546,340</u>	<u>304,402</u>	<u>-</u>	<u>4,850,742</u>
	<u>6,240,500</u>	<u>701,271</u>	<u>-</u>	<u>6,941,771</u>
Total Other Capital Assets	<u>26,810,147</u>	<u>(621,269)</u>	<u>-</u>	<u>26,188,878</u>
Total Capital Assets	<u>\$ 40,366,125</u>	<u>\$ (621,269)</u>	<u>\$ -</u>	<u>\$ 39,744,856</u>

VILLAGE OF BARRINGTON, ILLINOIS

Notes to the Financial Statements December 31, 2003

NOTE 3 – Detail Notes on All Funds (Continued)

B. Capital Assets (Continued)

Governmental Activities (Continued)

Depreciation expense was charged to governmental activities as follows:

General Government	\$ 141,936
Public Safety	176,428
Public Works	<u>311,902</u>
	630,266
 Internal Services	 <u>71,005</u>
	 <u><u>\$ 701,271</u></u>

Capital assets held by the Village's internal service funds are charged to various functions based on their usage of the assets.

Business-Type Activities

Business-type capital asset activity for the year was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital Assets - Not Being Depreciated				
Land	<u>\$ 1,126,408</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,126,408</u>
Other Capital Assets				
Sewer System	16,315,406	921,890	-	17,237,296
Water System	21,222,175	-	-	21,222,175
Land Improvements	<u>1,565,727</u>	<u>-</u>	<u>-</u>	<u>1,565,727</u>
	<u>39,103,308</u>	<u>921,890</u>	<u>-</u>	<u>40,025,198</u>

VILLAGE OF BARRINGTON, ILLINOIS

Notes to the Financial Statements December 31, 2003

NOTE 3 – Detail Notes on All Funds (Continued)

C. Capital Assets (Continued)

Business-Type Activities (Continued)

	Beginning Balances	Increases	Decreases	Ending Balances
Less Accumulated Depreciation				
Sewer System	\$ 7,047,458	\$ 351,763	\$ -	\$ 7,399,221
Water System	6,845,524	274,625	-	7,120,149
Land Improvements	1,546,810	7,000	-	1,553,810
Vehicle and Equipment	-	-	-	-
	<u>15,439,792</u>	<u>633,388</u>	<u>-</u>	<u>16,073,180</u>
 Total Other Capital Assets	<u>23,663,516</u>	<u>288,502</u>	<u>-</u>	<u>23,952,018</u>
 Total Capital Assets	<u>\$ 24,789,924</u>	<u>\$ 288,502</u>	<u>\$ -</u>	<u>\$ 25,078,426</u>

Depreciation expense was charged to business-type activities as follows:

Waterworks and Sewerage	\$ 626,388
Motor Vehicle Parking System	<u>7,000</u>
	<u>\$ 633,388</u>

E. Interfund Receivables, Payables and Transfers

Interfund Balances

The composition of interfund balances as of the date of this report, is as follows:

Receivable Fund	Payable Fund	Amount
Police Pension	General	\$ 2,111
Firefighters' Pension	General	<u>2,561</u>
		<u>\$ 4,672</u>

VILLAGE OF BARRINGTON, ILLINOIS

Notes to the Financial Statements
December 31, 2003

NOTE 3 – Detail Notes on All Funds (Continued)

E. Interfund Receivables, Payables and Transfers (Continued)

Advances To/From Other Funds

The Capital Improvement Fund has advanced \$4,200,000 to the TIF Redevelopment Fund.

Interfund Transfers

Interfund transfers for the year consisted of the following:

	<u>Transfer Out</u>
	<u>General</u>
Transfer In	
Debt Service	\$ 112,800
Capital Improvements	400,000
Recycling and Refuse	<u>35,000</u>
	<u>\$ 547,800</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

VILLAGE OF BARRINGTON, ILLINOIS

Notes to the Financial Statements
December 31, 2003

NOTE 3 – Detail Notes on All Funds (Continued)

F. Long-Term Debt

General Obligation Bonds

The Village issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for general governmental purposes and are direct obligations that pledge the full faith and credit of the Village. General obligation bonds currently outstanding are as follows:

	<u>Balances January 1</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Balances December 31</u>
\$5,000,000 General Obligation Bond, Series of 1998 dated January 12, 1998 due in annual installments of \$25,000 to \$400,000 plus interest at 4.10% - 6.10% through June 1, 2018	\$ 4,275,000	\$ -	\$ 200,000	\$ 4,075,000
\$5,895,000 General Obligation Refunding Bond, Series of 1999 dated January 25, 1999 due in annual installments of \$185,000 to \$435,000 plus interest at 4.00% - 6.00% through December 15, 2018	<u>5,105,000</u>	<u>-</u>	<u>220,000</u>	<u>4,885,000</u>
	<u>\$ 9,380,000</u>	<u>\$ -</u>	<u>\$ 420,000</u>	<u>\$ 8,960,000</u>

VILLAGE OF BARRINGTON, ILLINOIS

Notes to the Financial Statements December 31, 2003

NOTE 3 – Detail Notes on All Funds (Continued)

F. Long-Term Debt (Continued)

Alternate Revenue Source Bond

The Village also issues bonds where the Village pledges income derived from specific revenue sources to pay debt service. Alternate revenue source bonds have been issued for proprietary purposes, they are direct obligations that are backed by the full faith and credit of the Village. Alternate revenue bonds currently outstanding are as follows:

	<u>Balances</u> <u>January 1</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Balances</u> <u>December 31</u>
\$2,600,000 General Obligation Waterworks and Sewerage Alternate Revenue Source Bond Series of 1999B dated May 1, 1999 due in annual installments of \$55,000 to \$240,000 plus interest at 4.0% - 6.0% through December 15, 2014.	<u>\$ 2,275,000</u>	<u>\$ -</u>	<u>\$ 150,000</u>	<u>\$ 2,125,000</u>

Installment Contract Payable

The Village has entered into an installment contract to provide funds for the acquisition of real property. The installment contract currently outstanding is as follows:

	<u>Balances</u> <u>January 1</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Balances</u> <u>December 31</u>
Real Property Installment Contract of 1997 dated October 1, 1997 due in annual installments of \$75,000 to \$110,000 through October 1, 2007.	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ 90,000</u>	<u>\$ 410,000</u>

VILLAGE OF BARRINGTON, ILLINOIS

Notes to the Financial Statements
December 31, 2003

NOTE 3 – Detail Notes on All Funds (Continued)

F. Long-Term Debt (Continued)

IEPA Loans Payable

The Village has entered into an agreement with the IEPA to provide \$4,462,000 in low interest financing for waterworks and sewerage improvements. As of the date of this report the total amount owed to the IEPA is \$4,147,903 including interest during construction. A final payment schedule will not be established until construction is complete and final draws on the loan have been made. The final debt will be due semi-annually over a 20 year period plus interest at 2.5 to 4.5 percent. IEPA Loans currently outstanding are as follows:

	<u>Balances</u> <u>January 1</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Balances</u> <u>December 31</u>
\$1,649,301 IEPA Loan of 2001 dated June 20, 2001 due in semi- annual installments of \$54,046 including interest at 2.535% through December 15, 2020	\$ 1,554,469	\$ -	\$ 69,122	\$ 1,485,347
\$1,886,714 IEPA Loan of 2002 dated December 15, 2002 due in semi-annual installments of \$37,951 including interest at 2.905% through December 15, 2021	1,079,599	784,415	59,450	1,804,564
\$857,992 IEPA Loan of 2002 dated September 25, 2002 due in semi-annual installments, including interest at 2.570% through June 1, 2023	<u>22,700</u>	<u>835,292</u>	<u>-</u>	<u>857,992</u>
	<u>\$ 2,656,768</u>	<u>\$ 1,619,707</u>	<u>\$ 128,572</u>	<u>\$ 4,147,903</u>

VILLAGE OF BARRINGTON, ILLINOIS

Notes to the Financial Statements December 31, 2003

NOTE 3 – Detail Notes on All Funds (Continued)

F. Long-Term Debt (Continued)

Long-Term Liabilities Activity

Changes in long-term liabilities during the fiscal year were as follows:

Type of Debt	Beginning Balances	Additions	Deductions	Ending Balances	Amounts Due within One Year
Governmental Activities					
Compensated Absences	\$ 228,183	\$ 96,480	\$ -	\$ 324,663	\$ 18,627
General Obligation Bonds	9,380,000	-	420,000	8,960,000	435,000
Installment Contracts	<u>500,000</u>	<u>-</u>	<u>90,000</u>	<u>410,000</u>	<u>95,000</u>
				-	
	<u>\$ 10,108,183</u>	<u>\$ 96,480</u>	<u>\$ 510,000</u>	<u>\$ 9,694,663</u>	<u>\$ 548,627</u>
Business-type Activities					
Compensated Absences	\$ 62,503	\$ 48,180	\$ -	\$ 110,683	\$ 110,683
Alternate Revenue Bonds	2,275,000	-	150,000	2,125,000	155,000
IEPA Loans	<u>2,656,768</u>	<u>1,619,707</u>	<u>128,572</u>	<u>4,147,903</u>	<u>148,471</u>
	<u>\$ 4,994,271</u>	<u>\$ 1,667,887</u>	<u>\$ 278,572</u>	<u>\$ 6,383,586</u>	<u>\$ 414,154</u>

Payments on the general obligation bonds and installment contracts are made by the Debt Service Fund. Payments on the alternate revenue bonds and the IEPA bonds are made by the Waterworks and Sewerage Fund. Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end, \$18,627 of internal service funds compensated absences are included in the above amounts. Also, for the governmental activities, compensated absences are generally liquidated by the general fund.

VILLAGE OF BARRINGTON, ILLINOIS

Notes to the Financial Statements December 31, 2003

NOTE 3 – Detail Notes on All Funds (Continued)

F. Long-Term Debt (Continued)

Debt Service Requirements to Maturity

The annual debt service requirements to maturity, including principal and interest, are as follows:

Fiscal Year Ending December 31	Governmental Activities			
	Installment Contracts		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2004	\$ 95,000	\$ 18,696	\$ 435,000	\$ 403,654
2005	100,000	14,364	465,000	377,556
2006	105,000	9,807	485,000	349,654
2007	110,000	5,016	510,000	324,926
2008	-	-	530,000	298,980
2009	-	-	560,000	273,080
2010	-	-	580,000	249,900
2011	-	-	610,000	225,600
2012	-	-	640,000	199,750
2013	-	-	670,000	172,626
2014	-	-	705,000	144,224
2015	-	-	735,000	114,324
2016	-	-	780,000	83,150
2017	-	-	820,000	51,000
2018	-	-	435,000	17,400
Total	<u>\$ 410,000</u>	<u>\$ 47,883</u>	<u>\$ 8,960,000</u>	<u>\$ 3,285,824</u>

VILLAGE OF BARRINGTON, ILLINOIS

Notes to the Financial Statements
December 31, 2003

NOTE 3 – Detail Notes on All Funds (Continued)

F. Long-Term Debt (Continued)

Debt Service Requirements to Maturity (Continued)

Fiscal Year Ending May 31	Business-type Activities			
	Alternate Revenue		IEPA	
	Source Bonds		Loans	
	Principal	Interest	Principal	Interest
2004	\$ 155,000	\$ 97,006	\$ 148,471	\$ 89,070
2005	160,000	87,706	152,550	84,992
2006	165,000	78,106	156,741	80,800
2007	175,000	68,206	161,048	76,494
2008	180,000	58,800	165,473	72,068
2009	190,000	51,600	170,021	67,520
2010	200,000	44,000	174,694	62,847
2011	210,000	36,000	179,498	58,044
2012	220,000	27,600	184,433	53,108
2013	230,000	18,800	189,504	48,037
2014	240,000	9,600	194,715	42,826
2015	-	-	200,071	37,470
2016	-	-	205,574	31,967
2017	-	-	211,230	26,311
2018	-	-	217,041	20,500
2019	-	-	223,015	14,526
2020	-	-	229,150	8,387
2021	-	-	126,682	2,767
Total	<u>\$ 2,125,000</u>	<u>\$ 577,424</u>	<u>\$ 3,289,911</u>	<u>\$ 877,734</u>

VILLAGE OF BARRINGTON, ILLINOIS

Notes to the Financial Statements
December 31, 2003

NOTE 3 – Detail Notes on All Funds (Continued)

F. Long-Term Debt (Continued)

Legal Debt Margin

Chapter 65, Section 5/8-5-1 of the Illinois Compiled Statutes provides "...no municipality having a population of less than 500,000 shall become indebted in any manner or for any purpose, to an amount, including existing indebtedness in the aggregate exceeding 8.625% on the value of the taxable property therein, to be ascertained by the last assessment for state and county purposes, previous to the incurring of the indebtedness or, until January 1, 1983, if greater, the sum that is produced by multiplying the municipality's 1978 equalized assessed valuation by the debt limitation percentage in effect on January 1, 1979."

Equalized Assessed Valuation - 2002	<u>\$ 457,681,703</u>
Legal Debt Limit - 8.625% of Assessed Valuation	39,475,047
Amount of Debt Application to Debt Limit	
Installment Contracts	410,000
General Obligation Bonds	8,960,000
Alternate Revenue Source Bonds	<u>2,125,000</u>
Legal Debt Margin	<u>\$ 27,980,047</u>

VILLAGE OF BARRINGTON, ILLINOIS

Notes to the Financial Statements
December 31, 2003

NOTE 3- Detail Notes on All Funds (Continued)

F. Long-Term Debt (Continued)

Alternate Revenue Source Bond and IEPA Loan Ordinance Disclosures

Waterworks and Sewerage Fund

The alternate revenue source bond and IEPA Loan ordinances require that all monies held in the Waterworks and Sewerage Fund be segregated and restricted in separate special reserve accounts, in the priority indicated by the order of the following:

<u>Accounts</u>	<u>Amounts</u>	<u>Nature of Authorized Expenditures</u>
Operation and Maintenance	Amount sufficient to pay operation and maintenance costs for the system for the current month and up to the time of the next monthly accounting for the moneys and crediting to the accounts.	Expense of operating, maintaining and repairing the system.
Alternate Bond and Interest	Amount sufficient to pay the amount of interest and principal becoming due on the next succeeding interest and principal payment date.	Paying principal and interest on the bonds.
Junior Bond and Interest	Amount sufficient to pay the amount of interest and principal becoming due on the next succeeding interest and principal payment date.	Paying principal and interest on the bonds.
Depreciation Repair and Replacement	Such reasonable amount as the corporate authorities shall determine.	Extraordinary maintenance, necessary repairs and replacements to the system.
General	The amount remaining after payment into the above accounts.	To make up any deficiencies in the above accounts or for any other lawful corporate purpose.

VILLAGE OF BARRINGTON, ILLINOIS

Notes to the Financial Statements
December 31, 2003

NOTE 3 – Detail Notes on All Funds (Continued)

G. Fund Equity

Restatements

During the current fiscal year the Village adopted a new fixed asset policy to comply with the provisions of GASB Statement No. 34. Beginning capital asset balances were restated in the Waterworks and Sewerage and Central Garage Funds to comply with the new policy including the infrastructure provisions. Also during the current fiscal year, the Village restated beginning fund balance in the General Fund to reflect a change in recognition of compensated absences payable to the portion which is due and payable at the end of the fiscal period. As a result, beginning fund equity has been restated as follows:

<u>Fund Equity</u>	<u>As Reported</u>	<u>As Restated</u>	<u>Increase (Decrease)</u>
General Fund	\$ 10,538,567	\$ 10,760,271	\$ 221,704
Waterworks and Sewerage Fund	16,659,409	21,684,668	5,025,259
Central Garage Fund	3,140,470	3,188,743	48,273

Fund Balance – Reservations/Designations

The following is a schedule of fund equity reservations/designations as of the date of this report:

	<u>Amount</u>
General Fund	
Reserved for Restricted Revenues	
Motor Fuel Tax	\$ 360,544
Memorial Donations	173,104
Emergency 911 System	227,496
Special Service Area Snow Removal	25,872
Special Service Area Chippendale	65,099
DUI Fines	18,700
Working Cash	190,287
Hotel/Motel	<u>19,304</u>
	<u>\$ 1,080,406</u>

VILLAGE OF BARRINGTON, ILLINOIS

Notes to the Financial Statements
December 31, 2003

NOTE 3 – Detail Notes on All Funds (Continued)

G. Fund Equity (Continued)

Fund Balance – Reservations/Designations (Continued)

	<u>Amount</u>
General Fund (Continued)	
Designated	
Insurance	\$ 1,044,143
Equipment Purchases	1,815,344
Contingencies	<u>500,000</u>
	<u>\$ 3,359,487</u>
Capital Improvements Fund	
Reserved for Noncurrent Receivables	<u>\$ 4,200,000</u>
Reserved for Restricted Revenues	
Public Benefit	<u>\$ 276,727</u>
Designated	
Village Facilities	\$ 536,517
Village Center Parking	600,000
Bikeway	<u>50,000</u>
	<u>\$ 1,186,517</u>
Waterworks and Sewerage Fund	
Reserved Restricted Accounts	<u>\$ 707,500</u>

VILLAGE OF BARRINGTON, ILLINOIS

Notes to the Financial Statements
December 31, 2003

NOTE 4 – Other Information

A. Risk Management

Intergovernmental Personnel Benefit Cooperative (IPBC)

Risks for medical and death benefits for employees and medical benefits for retirees are provided through the Village's participation in the Intergovernmental Personnel Benefit Cooperative (IPBC). IPBC acts as an administrative agency to receive, process and pay such claims as may come within the benefit program of each member. IPBC maintains specific reinsurance coverage for claims in excess of \$50,000 per individual. The Village pays premiums to IPBC based upon current employee participation and its prior experience factor with the pool. Current year overages or underages for participation in the pool are adjusted into subsequent years experience factor for premiums. There were no significant changes in insurance coverages from the prior year and settlements did not exceed insurance coverage in any of the past three fiscal years. The Village's payments to IPBC are displayed on the financial statements as expenditures/expenses in the appropriate funds.

Intergovernmental Risk Management Agency (IRMA)

The Village participates in the Intergovernmental Risk Management Agency (IRMA). IRMA is an organization of Illinois municipalities and special districts in Northeastern Illinois which have formed an association under the Illinois Intergovernmental Cooperations Statute to pool its risk management needs. IRMA administers a mix of self-insurance and commercial insurance coverages; property/casualty and workers compensation claim administration and litigation management services; unemployment claim administration; extensive risk management/loss control consulting and training programs; and a risk information system and financial reporting service for its members.

Each member appoints one delegate along with an alternate delegate, to represent the member on the Board of Directors. The Village does not exercise any control over the activities of IRMA beyond its representation on the Board of Directors.

Initial contributions are determined each year based on the individual member's eligible revenue as defined in the by-laws of IRMA and experience modification factors based on past member loss experience. Each member assumes the first \$1,000 of each occurrence, and IRMA has self-insurance retentions at various amounts above that level. Members have a contractual obligation to fund any deficit of IRMA attributable to a membership year during which they were a member. Supplemental contributions may be required to fund these deficits. The Village's payments to IRMA are displayed on the financial statements as expenditures/expenses in the appropriate funds. The coverages provided by IRMA are generally consistent with the coverages in the prior year.

VILLAGE OF BARRINGTON, ILLINOIS

Notes to the Financial Statements
December 31, 2003

NOTE 4 – Other Information (Continued)

B. Contingent Liabilities

Litigation

The Village is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Village's attorneys, the resolution of these matters will not have a material adverse effect on the financial condition of the Village.

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Village expects such amounts, if any, to be immaterial.

Solid Waste Agency of Northern Cook County (SWANCC)

The Village's contract with the Solid Waste Agency of Northern Cook County provides that each member is liable for its proportionate share of annual operating and fixed costs. The Village's share of these costs is expected to be funded through tipping fees paid by refuse haulers. In addition, the Village is obligated for any costs arising from defaults in payment obligations by other members.

C. Post-employment Benefits

In addition to providing pension benefits, the Village provides certain health care insurance benefits for retired employees. In accordance with Village policy, substantially all of the Village's employees may become eligible for those benefits if they reach retirement age while working for the Village. The retirees pay an annual premium that is equal to the actuarially determined cost for each plan year. Accordingly, no liability has been recorded for post-retirement health care benefits. The Village also extends COBRA health and dental benefits to all former employees and dependents as required by federal law. These individuals pay 100 percent of the premium.

VILLAGE OF BARRINGTON, ILLINOIS

Notes to the Financial Statements
December 31, 2003

NOTE 4 – Other Information (Continued)

D. Joint Venture

Solid Waste Agency of Northern Cook County (SWANCC)

The Village is a member of the Solid Waste Agency of Northern Cook County (SWANCC) which consists of twenty-three municipalities. SWANCC is a municipal corporation and public body politic established pursuant to the Constitution Act of the State of Illinois and the Intergovernmental Cooperation Act of the State of Illinois, as amended. SWANCC is empowered to plan, construct, finance, operate, and maintain a solid waste disposal system to serve its members.

SWANCC is governed by a Board of Directors which consists of one appointed representative from each member municipality. Each Director has an equal vote. The officers of SWANCC are appointed by the Board of Directors. The Board of Directors determines the general policy of SWANCC, makes all appropriations, approves contracts, adopts resolutions providing for the issuance of bonds or notes by SWANCC, adopts by-laws, rules and regulations, and exercises such powers and performs such duties as may be prescribed in the SWANCC agreement or the by-laws. Separate audited financial statements are available from SWANCC's administrative office at 1616 East Golf Road, Des Plaines, Illinois 60016.

E. Employee Retirement System – Defined Benefit Pension Plans

The Village contributes to three defined benefit pension plans, the Illinois Municipal Retirement Fund (IMRF), a defined benefit agent multiple-employer public employee retirement system, the Police Pension Plan which is a single-employer pension plan, and the Firefighters' Pension Plan which is also a single-employer pension plan. IMRF does issue a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole, but not by individual employer. That report may be obtained by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523. The Police and Firefighters' Pension Plans also issue separate reports that may be obtained by writing the Village of Barrington, 200 South Hough Street, Barrington Illinois 60010. The benefits, benefit levels, employee contributions and employer contributions are governed by Illinois Compiled Statutes and can only be amended by the Illinois General Assembly.

VILLAGE OF BARRINGTON, ILLINOIS

Notes to the Financial Statements
December 31, 2003

NOTE 4 – Other Information (Continued)

E. Employee Retirement System – Defined Benefit Pension Plans (Continued)

Plan Descriptions, Provisions and Funding Policies

Illinois Municipal Retirement System

All employees (other than those covered by the Police and Firefighters' plans) hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. Pension benefits vest after eight years of service. Participating members who retire at or after age 60 with 8 years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3 percent of their final rate (average of the highest 48 consecutive months' earnings during the last 10 years) of earnings, for each year of credited service up to 15 years, and 2 percent for each year thereafter. IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by the Illinois Compiled Statutes.

Employees participating in the plan are required to contribute 4.50 percent of their annual covered salary to IMRF. The employees' contribution rate is established by state statute. The Village is required to contribute the remaining amount necessary to fund the IMRF plan as specified by statute. The employer rate for calendar year 2003 was 1.72 percent.

Police Pension Plan

The Police Pension Plan is a single-employer defined benefit pension plan that covers all sworn police personnel. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes and may be amended only by the Illinois legislature. The Village accounts for the plan as a pension trust fund.

At December 31, 2002 the Police Pension Plan membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits and Terminated Employees Entitled to Benefits but not yet Receiving Them	14
Current Employees Vested and Nonvested	<u>32</u>
Total	<u><u>46</u></u>

VILLAGE OF BARRINGTON, ILLINOIS

Notes to the Financial Statements
December 31, 2003

NOTE 4 – Other Information (Continued)

E. Employee Retirement System – Defined Benefit Pension Plans (Continued)

Plan Descriptions, Provisions and Funding Policies (Continued)

Police Pension Plan (Continued)

The following is a summary of the Police Pension Plan as provided for in Illinois Compiled Statutes.

The Police Pension Plan provides retirement benefits as well as death and disability benefits. Covered employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of one-half of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The pension shall be increased by 2.5% of such salary for each additional year of service over 20 years up to 30 years, to a maximum of 75% of such salary. Employees with at least 8 years but, less than 20 years of credited service, may retire at or after age 60 and receive a reduced benefit. The monthly benefit of a police officer who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% compounded annually thereafter.

Covered employees are required to contribute 9.91% of their base salary, as of January 1, 2001, to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The Village is required to contribute the remaining amounts necessary to finance the plan, including administrative costs, as actuarially determined by an enrolled actuary. By the year 2033, the Village's contributions must accumulate to the point where the past service cost for the Police Pension Plan is fully funded.

Firefighters' Pension Plan

The Firefighters' Pension Plan is a single-employer defined benefit pension plan that covers all sworn fire personnel. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes and may be amended only by the Illinois legislature. The Village accounts for the plan as a pension trust fund.

VILLAGE OF BARRINGTON, ILLINOIS

Notes to the Financial Statements
December 31, 2003

NOTE 4 – Other Information (Continued)

E. Employee Retirement System – Defined Benefit Pension Plans (Continued)

Plan Descriptions, Provisions and Funding Policies (Continued)

Firefighters' Pension Plan (Continued)

At December 31, 2002 the Firefighters' Pension Plan membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits and Terminated Employees Entitled to Benefits but not yet Receiving Them	-
Current Employees Vested and Nonvested	<u>25</u>
Total	<u>25</u>

The following is a summary of the Firefighters' Pension Plan as provided for in Illinois Compiled Statutes.

The Firefighters' Pension Plan provides retirement benefits as well as death and disability benefits. Covered employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive a monthly retirement benefit of one-half of the monthly salary attached to the rank held at the date of retirement. The monthly pension shall be increased by 1/12 of 2.5% of such monthly salary for each additional month over 20 years of service through 30 years of service, to a maximum of 75% of such monthly salary. Employees with at least 10 years, but less than 20 years of credited service, may retire at or after age 60 and receive a reduced benefit. The monthly pension of a firefighter who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% compounded annually thereafter.

Covered employees are required to contribute 8.455% of their base salary, as of August 6, 1999, to the Firefighters' Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The Village is required to contribute the remaining amounts necessary to finance the plan as actuarially determined by an enrolled actuary. By the year 2033, the Village's contributions must accumulate to the point where the past service cost for the Firefighters' Pension Plan is fully funded.

VILLAGE OF BARRINGTON, ILLINOIS

Notes to the Financial Statements
December 31, 2003

NOTE 4 – Other Information (Continued)

D. Employee Retirement System – Defined Benefit Pension Plans (Continued)

Plan Descriptions, Provisions and Funding Policies (Continued)

Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have any established market, if any, are reported at estimated fair value.

Significant Investments

There are no investments (other than U.S. Government and U.S. Government - guaranteed obligations) in any one organization that represent 5 percent or more of net assets available for benefits for either the Police or Firefighters' Pension Plans. Information for IMRF is not available.

Related Party Transactions

There are no securities of the employer or any other related parties included in plan assets. The Barrington Police Pension Fund has entered into a home mortgage loan program with ABN - AMRO. The program is to provide residential mortgage loans to qualified members at a discounted rate of interest. Under conditions of the agreement, a matching amount is established equal to the amount of the outstanding principal balances of all home loans. The matching amount has a balance of \$27,980.

VILLAGE OF BARRINGTON, ILLINOIS

Notes to the Financial Statements
December 31, 2003

NOTE 4 – Other Information (Continued)

E. Employee Retirement System – Defined Benefit Pension Plans (Continued)

Annual Pension Cost and Net Pension Obligation

The pension liability was determined in accordance with GASB Statement No. 27, "Accounting for Pensions by State and Local Government Employers." There was no net pension obligation for the IMRF Plan. The pension liability for the Police and Firefighters' Pension Plans is as follows:

	Police Pension	Firefighters' Pension	Totals
Annual Required Contribution	\$ 224,696	\$ 143,273	\$ 367,969
Interest on the NPO	(14,896)	(26,025)	(40,921)
Adjustment to the ARC	19,704	19,158	38,862
Annual Pension Cost	229,504	136,406	365,910
Actual Contribution	267,190	191,176	458,366
Increase in the NPO	(37,686)	(54,770)	(92,456)
NPO January 1, 2002	(186,205)	(346,999)	(533,204)
NPO December 31, 2002	<u>\$ (223,891)</u>	<u>\$ (401,769)</u>	<u>\$ (625,660)</u>

VILLAGE OF BARRINGTON, ILLINOIS

Notes to the Financial Statements
December 31, 2003

NOTE 4 – Other Information (Continued)

E. Employee Retirement System – Defined Benefit Pension Plans (Continued)

Annual Pension Cost and Net Pension Obligation (Continued)

The Village annual pension cost for the current period and related information for each plan is as follows:

	Illinois Municipal Retirement	Police Pension	Firefighters' Pension
Contribution Rates			
Employer	1.72%	12.80%	10.50%
Employee	4.50%	9.91%	8.455%
Annual Pension Cost	\$61,218	\$229,504	\$136,406
Contributions Made	\$61,218	\$267,190	\$191,176
Actuarial Valuation Date	12/31/2003	12/31/2002	12/31/2002
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level % of Projected Payroll Closed Basis	Level % of Projected Payroll Closed Basis	Level % of Projected Payroll Closed Basis
Remaining Amortization Period	10 Years	18.33 Years	31.33 Years
Asset Valuation Method	5-Year Smoothed Market	Actuary's Value	Actuary's Value
Actuarial Assumptions			
Investment Rate of Return	7.50% Compounded Annually	8.00% Compounded Annually	7.50% Compounded Annually
Projected Salary Increases	.4 to 11.6%	5.50%	5.50%
Inflation Rate Included	4.00%	3.50%	3.50%
Cost-of-Living Adjustments	3.00%	3.00%	3.00%

VILLAGE OF BARRINGTON, ILLINOIS

Notes to the Financial Statements
December 31, 2003

NOTE 4 – Other Information (Continued)

E. Employee Retirement System – Defined Benefit Pension Plans (Continued)

Trend Information

Employer annual pension cost (APC) and actual contributions are as follows:

	Fiscal Year Ended	Illinois Municipal Retirement	Police Pension	Firefighters' Pension
Annual Pension Cost (APC)	12/31/00	\$ 122,087	\$ 154,387	\$ 133,743
	12/31/01	99,465	222,348	115,305
	12/31/02	37,046	229,504	136,406
Actual Contributions	12/31/00	122,087	166,433	177,508
	12/31/01	99,465	184,265	201,305
	12/31/02	37,046	267,190	191,176
Percentage of APC Contributed	12/31/00	100.00%	107.8%	132.7%
	12/31/01	100.00%	82.9%	174.6%
	12/31/02	100.00%	116.4%	140.2%
Net Pension Obligation	12/31/00	-	(224,288)	(260,999)
	12/31/01	-	(186,205)	(346,999)
	12/31/02	-	(223,891)	(401,769)